

Monday, 30 October 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	6,827	0.2%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	32,418	-1.1%	10 yr bond	4.83		0.00	90 day BBSW	4.31	-0.02	
Japan Nikkei	30,992	1.3%	3 yr bond	4.33		-0.01	2 year bond	4.37	-0.02	
China Shanghai	3,164	1.0%	3 mth bill rate	4.40		0.01	3 year bond	4.31	-0.02	
German DAX	14,687	-0.3%	SPI 200	6,772.0		-67	3 year swap	4.54	0.05	
UK FTSE100	7,291	-0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.81	-0.06
<b>Commodities (close &amp; change)</b>			TWI	59.7	-	-	59.7	<b>United States</b>		
CRB Index	285.1	3.6	AUD/USD	0.6322	0.6368	0.6320	0.6340	3-month T Bill	5.31	-0.01
Gold	2,006.37	21.7	AUD/JPY	95.08	95.37	94.68	94.81	2 year bond	5.00	-0.04
Copper	8,056.50	116.8	AUD/GBP	0.5212	0.5243	0.5210	0.5226	10 year bond	4.83	-0.01
Oil (WTI futures)	85.54	2.3	AUD/NZD	1.0861	1.0908	1.0856	1.0899	<b>Other (10 year yields)</b>		
Coal (thermal)	141.10	-0.2	AUD/EUR	0.5987	0.6024	0.5984	0.5999	Germany	2.83	-0.03
Coal (coking)	336.00	-0.5	AUD/CNH	4.6315	4.6660	4.6293	4.6480	Japan	0.88	0.01
Iron Ore	119.00	-0.7	USD Index	106.62	106.80	106.32	106.58	UK	4.54	-0.05

Data as at 7:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** A strong US inflation report contributed to a risk-off mood on Friday. US equities were lower, treasury yields edged down slightly, and the US dollar was little changed.

**Share Markets:** US equities finished the week on a sour note on Friday as corporate earnings largely disappointed. The S&P 500 fell 0.5% on Friday to finish the week down 2.5% and over 10% down on its July peak. The Dow Jones lost 1.1% to close the week 2.1% lower. The NASDAQ bucked the trend, rising 0.4% on Friday, but finishing the week down 2.6%.

The ASX 200 rose 0.2% on Friday, paring weekly losses to 1.1%. Futures are pointing to a weak open this morning.

**Interest Rates:** US treasury yields were broadly lower, despite a robust inflation report. The 2-year yield slipped 4 basis points to 5.00%, while the 10-year yield was 1 basis point lower at 4.83%.

Interest rate markets are pricing virtually zero chance of a rate hike from the Fed at this week's meeting. There remains around a 30% probability of a final rate hike this cycle.

Aussie bond futures were little changed. The 3-year (futures) yield eased 1 basis point to 4.33%, while the 10-year (futures) yield was steady at 4.83%.

Interest rate markets are pricing a 50/50 chance of a Reserve Bank (RBA) rate hike on Cup Day next week.

**Foreign Exchange:** The US dollar remained comfortably within its recent trading range. The DXY traded between a low of 106.32 and a high of 106.80 and was trading around 106.56 at the time of writing.

The Aussie dollar bounced off a low of 0.6320 to a reach of high of 0.6368. The AUD/USD pair is currently trading around 0.6340.

**Commodities:** The price of gold breached US\$2,000 an ounce on Friday for the first time since May. Oil and copper also firmed.

**Australia:** The producer price index (PPI), which measures input cost inflation for businesses, rose 1.8% in the September quarter, accelerating from 0.5% in the June quarter. This was the strongest quarterly jump since the September quarter 2022. In annual terms, PPI inflation slowed marginally to 3.8% from 3.9% in the June quarter. The strong reading points to further risks that inflation will remain sticky and corresponds with the stronger-than-expected consumer price index (CPI) result.

**China:** Industrial profits rose 11.9% over the year to September, slowing from the 17.2% annual gain in August. September marked the second consecutive month annual profit growth expanded as stimulus helps to stabilise economic activity.

**New Zealand:** Consumer confidence rose 2.0% to 88.1 in October. At this level, confidence remains

deeply entrenched in negative territory. However, October marked the most buoyant reading since January 2022.

**United States:** Personal income rose 0.3% in September, down slightly from the 0.4% increase in August. This was not enough to keep pace with rapid spending growth. Personal spending rose 0.7% in September accelerating from 0.4% in August and beating expectations for a 0.5% gain. While spending remains hot, incomes are not keeping up meaning households are having to dig into savings buffers, and potentially credit, to maintain spending at this rate. This would suggest that spending at this clip cannot continue indefinitely, and household will need to pull back soon.

The personal consumption expenditure deflator (PCE), the Fed's preferred measure of inflation, rose 0.4% in September, matching August's pace. This was slightly hotter than consensus expectations which centred on a 0.3% gain. In annual terms, PCE rose 3.4% in September unchanged from August and July.

The core PCE measure, which excludes food and energy categories, rose 0.3% in the month and 3.7% in annual terms. This represented a slight moderation in the annual pace of core inflation from 3.8% in August. However, the monthly gain of 0.3% was the hottest in four months, highlighting the risk that robust spending could drive a re-emergence of some price pressures.

**Today's key data and events:**

AU Retail Sales Sep exp 0.7% prev 0.2% (11:30am)  
EZ Consumer Confidence Oct Final prev -17.9 (9pm)  
EZ Economic Confidence Oct exp 93.0 prev 93.3 (9pm)  
EZ Ger. CPI Oct Prel. exp 0.2% prev 0.3% (12am)  
US Dallas Fed Index Oct exp -16.0 prev -18.1 (1:30am)

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

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